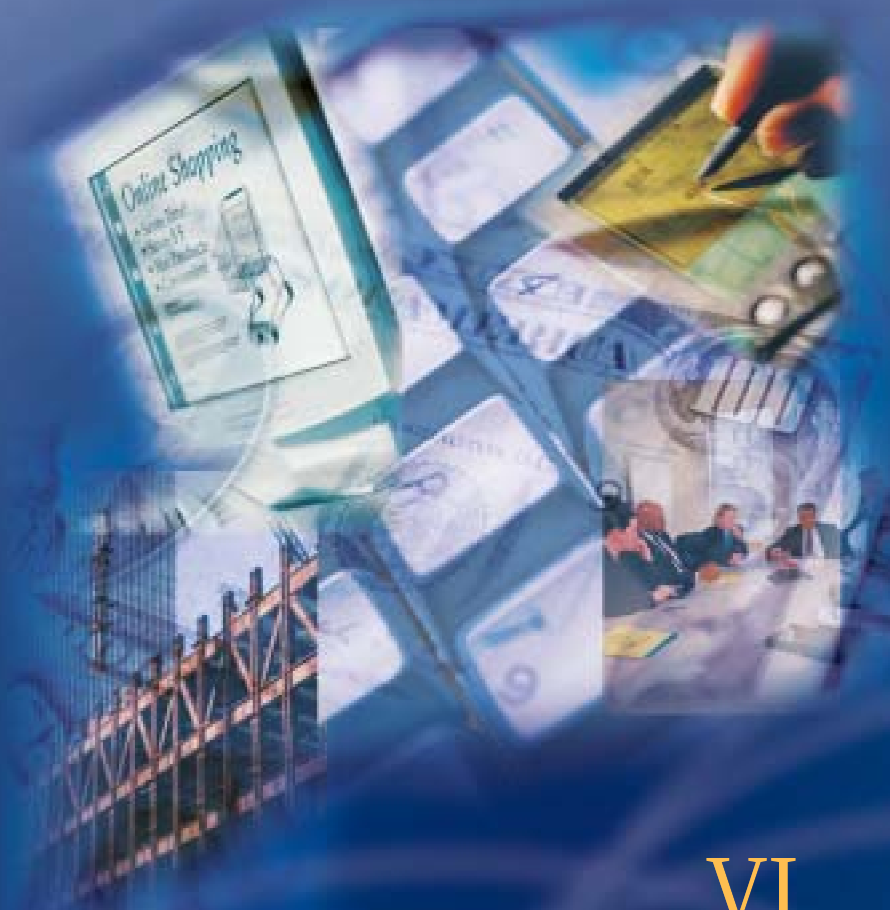


VI.
finance

INTRODUCTION

The development of the financial plan for the 2001 RTP has been under the direction of the SCAG Long-Range Transportation Finance Task Force, composed of local elected officials and local agency staff. The Task Force was created to examine how best to provide the financial resources necessary for maintaining the existing transportation system and investing in new projects identified in the RTP.

After reviewing the economic and growth assumptions governing the various transportation revenue sources, the Task Force approved sixteen revenue sources for inclusion in the financial plan. These existing revenue sources, including local, state and federal funds for roadways and transit, make up the Baseline revenue forecast for the RTP. The Baseline revenue forecast for the six-county SCAG Region is estimated to be $100 billion for the 2001 RTP period.

To assess the implications of the forecast, the Finance Task Force created a Regional Checkbook, where the Baseline revenues were matched against a forecasted set of Baseline expenditures. The Baseline expenditures, an estimated $100 billion, essentially represent the costs to maintain the Region's transportation system and accommodate limited growth in transit ridership through 2025.

As the table below indicates, the initial Regional Checkbook forecasted a potential funding shortfall to support the new projects identified in the 2001 RTP, a substantial change from the 1998 RTP. The change is attributable to several conditions influencing the formulation of the 2001 RTP financial forecast, including:

- the sunset of local transportation sales taxes in Imperial, Orange, San Bernardino and Riverside Counties during the time frame of the 2001 RTP;
- the projected loss of gasoline tax revenues due to the market penetration of alternative fuel vehicles over the life of the 2001 RTP; and
- the projected costs of operating and maintaining the existing transportation system in the Region.

Table 6.1

REGIONAL CHECKBOOK
1998 RTP VS. 2001 RTP
CONSTANT 1997 DOLLARS (IN BILLIONS)

	1998 RTP	2001 RTP
Baseline Public Revenues	$90	**$100**
Baseline Public Costs	$65	**$100**
Subtotal	$25	**$0**
Public Funding Strategy	$0	**$24**
Net Public Funds for New RTP Projects	$25	**$24**

Additionally, legal mandates such as the Consent Decree in Los Angeles County impact the financial forecast. The Consent Decree requires that the Los Angeles County Metropolitan Transportation Authority (LACMTA) purchase additional buses and provide increased bus services.

As a consequence of the Region's potential revenue shortfall, the Finance Task Force recognized the need for a financial strategy to fund the transportation facilities and services required for a growing population.

Faced with the challenge of identifying additional revenues, the Finance Task Force devised a funding strategy that would raise $24 billion in public revenues and $20 billion in other innovative sources to offset the total cost for advancing new RTP projects. SCAG's policy committees, including the Regional Technical Advisory Committee and the Transportation and Communications Committee, expressed concerns similar to those of the Finance Task Force regarding the implications of the Region's potential funding shortfall. The financial strategies recommended to bridge the funding gap are outcomes of the discussions held at these committee meetings to ensure that there are adequate revenues to meet the challenge of added population and travel over the next quarter century.

To this end, the following section begins with an inventory of existing revenue sources identified in the 2001 RTP financial plan and discusses some of the many conditions limiting the growth of these sources. The overall policy context for creating the financial forecast is reviewed and an assessment of its implications for the development of a credible regional transportation plan is examined. The discussion concludes with a framework for advancing specific funding strategies.

Table 6.2

REVENUE FORECAST, 1997-2025
MILLIONS (CONSTANT 1997 DOLLARS)

Funding Source	Regional Total	% of Total
Local Sources		
TDA	$14,118.90	
Local Sales Tax	36,156.30	
Farebox	12,756.30	
Local Agency Funds (1)	4,646.20	
Miscellaneous Funds (2)	2,404.00	
Subtotal	70,081.80	**70%**
State Sources		
STIP, Regional	7,166.40	
STIP, Interregional	1,707.20	
Traffic Congestion Relief	1,921.40	
STA	857.00	
TP&D (TCI)/Prop 116	208.10	
SHOPP/O&M	5,264.10	
Subtotal	17,124.20	**17%**
Federal Sources		
RSTP	2,477.80	
CMAQ	2,463.30	
Local Assistance (3)	1,151.00	
Sec. 5309	2,462.80	
Sec. 5307 (4)	4,195.20	
Subtotal	12,750.10	**13%**
Total	**$99,956.00**	**100%**

Notes:

(1) Includes Orange County Gas Tax Fund and private and local contributions to Measure M program; TCA toll revenues; local agency contributions to specific projects (e.g., Alameda Corridor).

(2) Includes transit advertisement and auxiliary revenues, lease revenues, interest and investment earnings.

(3) Includes programs such as Regional Transportation Enhancements, Highway Bridge Rehab., Grade Crossings and Hazard Elimination. Also includes federal High Priority Projects for the Region, other federal funds for specific projects (e.g., Alameda Corridor) and MTA clean fuels program.

(4) Includes Section 5311 (rural operating) funds for Imperial and Riverside Counties.

REVENUE SOURCES

The revenues identified in the 2001 RTP financial forecast are those that have been providing for the construction, operation and maintenance of the current roadway and transit systems in the Region. The Baseline revenues include existing local, state and federal transportation funding sources. As Table 6.2 summarizes, the revenue forecast for the six-county SCAG Region is estimated to be $100 billion for the 2001 RTP period (1997-2025).

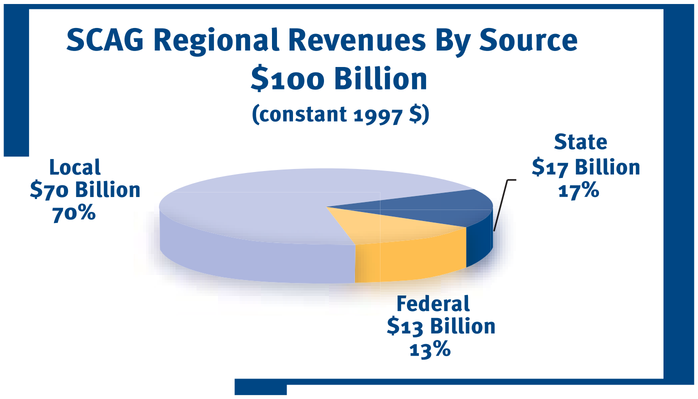
Although the existing funding sources, identified in this table, are insufficient to implement all significant projects that will improve mobility in the Region, the current sources of revenues provide a benchmark from which additional funding could be identified.

CONDITIONS IMPACTING REGIONAL TRANSPORTATION REVENUES

DEMISE OF THE LOCAL TRANSPORTATION SALES TAX

In the SCAG Region, four counties—including Imperial, Orange, Riverside and San Bernardino—are considered "self-help" counties. That is, voters of these counties approved special (½ percent) local sales tax measures dedicated to transportation expenditures for a limited time period. These local transportation sales taxes are scheduled to expire over the next ten years in each of the "self-help" counties in the Region. Currently, Ventura County does not impose such a tax and Los Angeles County levies a permanent 1 percent tax (a combination of two ½ percent tax initiatives, Propositions A & C). As a result of a State Supreme Court decision, a two-thirds approval by county voters is required to re-authorize, increase and/or impose new local transportation taxes.

Figure 6.1



These taxes are in addition to the sales and use tax levied statewide, and are generally imposed upon the same transactions and items subject to the statewide sales and use tax, namely the sale of tangible personal property and storage or use/consumption within particular jurisdictions.

These local tax measures have become a central feature of transportation funding in the Region. Since the advent of the first tax in 1983, $11.5 billion has been raised for transportation projects and services in the Region. Of that amount, $6 billion is from Los Angeles County and $5.5 billion is from the remaining four counties.

The local transportation sales tax also underscores the importance of local funding generally in financing transportation investments throughout the Region. In fact, the most significant source of revenue is local. Local funding accounts for 70 percent of the $100 billion forecasted as being available for transportation investments in the Region (see Figure 6.1).

POTENTIAL MARKET PENETRATION OF ALTERNATIVE FUEL VEHICLES COULD LIMIT STATE AND FEDERAL GAS TAX REVENUE GROWTH

(FURTHER STUDY IS REQUIRED)

SCAG recognizes the need to further study the impact on future fuel tax revenues due to alternative fuel penetration. SCAG acknowledges that technological improvements, required to meet emission reductions, may result in a motor vehicle fleet that would consume less gasoline and/or rely on alternative fuels. The potential market penetration of alternative fuel vehicles, in addition to more fuel-efficient vehicles, would erode the revenues generated by gasoline sales and, if they come to pass, would diminish the gas tax as a reliable source of transportation revenue.

In relative terms, the growth in the use of gasoline has been declining over the last three decades. Between 1970 and 1997 vehicle miles traveled statewide increased 143 percent (from 117 billion to 285 billion miles) while the gallons of gasoline sold grew 70 percent (from 9.4 billion to 16.0 billion gallons). This shows that growth in travel exceeded the growth in gasoline sales by more than two times. California's population during that period, by comparison, grew by 63 percent. It is a further possibility that the California Air Resources Board's (CARB's) policies and the State Implementation Plan (SIP) requirements regarding the introduction of alternative fuels may substantially accelerate the divergence between the increase in travel and the use of gasoline.

It is evident that increased environmental concerns are playing a major role in developing pressures for alternative fuels or cleaner-burning petroleum products. The federal Clean Air Act Amendments (CAAA) of 1990, in conjunction with the CARB's Zero Emission Vehicle (ZEV) mandate, may affect the penetration rate of alternative fuel vehicles in the market.

In an effort to meet federal air quality requirements, the CARB adopted the ZEV mandate, requiring the introduction of true ZEVs and qualifying clean vehicle technologies. Additionally, the SCAG Region is subject to further emission reductions by the year 2010 as established in the 1997 SIP for the South Coast Air Basin (SCAB). The cumulative effects of these programs may reduce future fuel tax revenues for transportation. Further study is required.

There are other factors that may affect the evaluation of petroleum-based fuel sources, such as scarcity or our national energy policy's dependence on foreign sources.

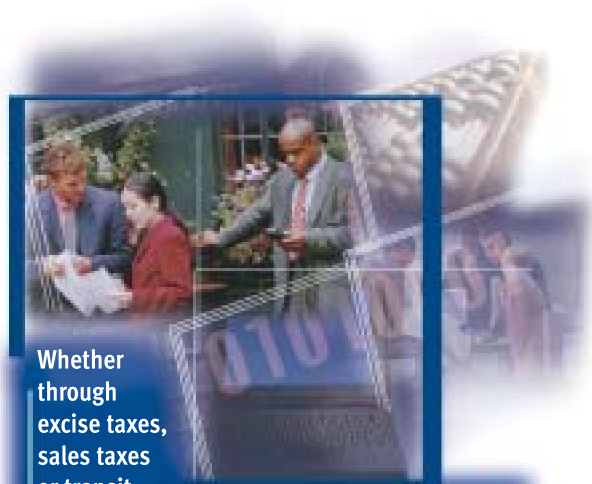
There are certainly difficulties in developing cost-competitive alternative fuel vehicles. A sizeable alternative fuel vehicle market will not likely appear in the immediate future. Nevertheless, the long-term impacts are important to consider and study further.

Certainly, SCAG acknowledges that there may be limited market penetration of alternative fuel vehicles. The penetration rate could be very low with a minimal loss of gasoline tax revenues.

POTENTIAL EROSION OF TRANSPORTATION REVENUES DUE TO ELECTRONIC COMMERCE

There has been concern regarding the potential erosion of the retail sales and use tax due to Internet spending, in which consumers often enjoy not having to pay local and state sales taxes. Local sales taxes for transportation as well as Transportation Development Act revenues, which are derived from a ¼ percent sales tax, would be directly impacted by trends in retail sales. At the national level, the U.S. Congress created an advisory commission to make recommendations on how to address the impacts of e-commerce. The recommendations from the commission include extending the current moratorium on e-commerce taxation for an additional five years through 2006, and establishing clear "nexus" rules to determine whether businesses would be subject to sales and use tax collection obligations.[4]

Current retail sales conducted over the Internet remain small relative to total retail sales. According to the Advisory Commission report, online retail sales only accounted for 0.64 percent of all retail sales in the nation during the fourth quarter of 1999. This amounted to sales of $5.3 billion out of a total of $821.2 billion. However, business-to business transactions are predicted to dominate the e-commerce industry, with transactions forecasted to be $1.3 trillion by 2003.[5]



Whether through excise taxes, sales taxes or transit fares, overall economic conditions play a large role in the level of revenues that are available for transportation.

The potential impacts from e-commerce on the Southern California economy are not well known, although any trends towards the actual loss of sales tax revenue attributable to the Internet would have to be addressed by the transportation community. Since taxation issues and policies on e-commerce are currently under review nationally, it is premature to incorporate any potential revenue implications in the 2001 RTP financial plan. However, this topic should remain in the forefront of discussion in future RTP updates.

ECONOMIC FACTORS

The general health of the nation's economy underlies much of the revenues generated for transportation. Whether through excise taxes, sales taxes or transit fares, overall economic conditions play a large role in the level of revenues that are available for transportation. Although it is difficult to predict economic fluctuations, the revenue model takes a more conservative approach to providing forecasts in the outer years of the RTP time horizon. This provides fiscal responsibility in the Region's ability to finance transportation projects. In addition, inflation is kept constant in the model to provide simple comparisons between alternatives in different time frames.

BASELINE EXPENDITURES

INCREASING COSTS FOR ENHANCING AND MAINTAINING THE REGION'S TRANSPORTATION INFRASTRUCTURE

The SCAG Region already has an estimable investment in transportation infrastructure comprised of arterials, state highways and public mass transportation facilities. Protecting this investment is essentially protecting a segment of the Region's economic engine. Should the existing system be allowed to deteriorate, an intolerable decline in mobility would result.

Baseline expenditures to maintain the existing regional transportation system for the SCAG Region are estimated to approach $100 billion through the 2001 RTP period (1997-2025). This $100 billion is what the Region is forecasted to expend to maintain the existing transportation system through 2025, without adding any new RTP projects beyond the current short-term capital commitments.[6]

Table 6.3

REGIONAL BASELINE COSTS
1998 RTP VS. 2001 RTP
CONSTANT 1997 DOLLARS (IN BILLIONS)

	1998 RTP	2001 RTP
Baseline Costs		
RTIP & Other Committed Projects	$21	**$27(1)**
O&M	38	**63(2)**
Bonding Costs	5	**9(3)**
Total	$65	**$100**

Notes:

(1) Includes current TIP (2001-2006) capital projects that are "regionally significant." Includes committed sales tax revenues and funds from other sources for Measure projects. Measure tax project costs are spread between "pay as you go" financing and debt financing. This category also includes the total cost of the Governor's Traffic Congestion Relief Plan (TCRP) projects for the Region. Revenues associated with TCRP are included in the Region's Baseline revenues.

(2) Includes operations & maintenance expenses for both transit and roads, Caltrans 2000 SHOPP and transit capital replacement and rehabilitation. Forecasted transit and roadway O&M and capital replacement are assumed for the existing SCAG regional transportation infrastructure and new capital projects in the 2001/06 RTIP.

(3) Primarily debt bonded against Measure tax revenues. Includes anticipated new debt service issues during RTP period. Also includes a portion of debt bonded against forecasted TCA toll revenues in Orange County.

When compared to the 1998 RTP (1995-2020), estimated Baseline costs have substantially increased. As can be seen in Table 6.3, the Region's Baseline costs have increased over 50 percent. This increase results from a more comprehensive evaluation of each of the itemized expenditure categories and recognition that maintenance expenditures inevitably increase to keep pace with accelerating needs. Many cities, subregions and transit operators questioned the operations and maintenance cost estimates for the 1998 RTP, believing that ongoing operations and maintenance cost were underestimated. Therefore, in adopting the 1998 RTP, the Regional Council requested that this concern be addressed in the next update to the Plan. The 2001 RTP attempts to respond to this request by providing a more complete cost assessment for maintaining the Region's existing transportation infrastructure.

TRANSPORTATION MODE SPLIT OF BASELINE COSTS

Figures 6.2 through 6.4 characterize the transportation mode split for the Region based upon public expenditures.[7] Figure 6.2 outlines Baseline mode split (note that ITS, TDM and Non-Motorized category constitutes less than 1% of total costs and is not reflected here). Figure 6.3 provides the mode split of new RTP projects, and Figure 6.4 combines Baseline and new RTP projects. Figure 6.5 includes both public and private costs[8] (note: Hwy category includes truck lanes and arterial category includes grade crossings). The Technical Appendix provides further mode split analysis by county.[9]

Figure 6.2

Mode Split of Public Cost for Baseline ($100 B)

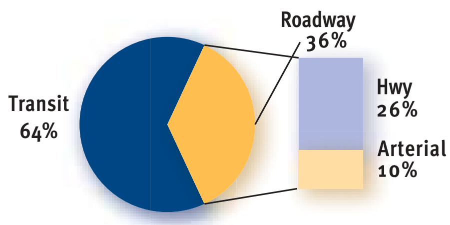


Figure 6.3

Mode Split of Public Cost for New RTP Projects ($24 B)

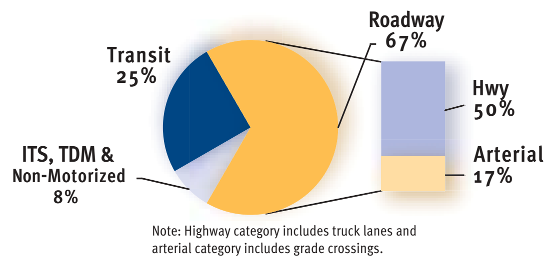


Figure 6.4

Mode Split of Total Public Cost (Baseline & Plan, $124 B)

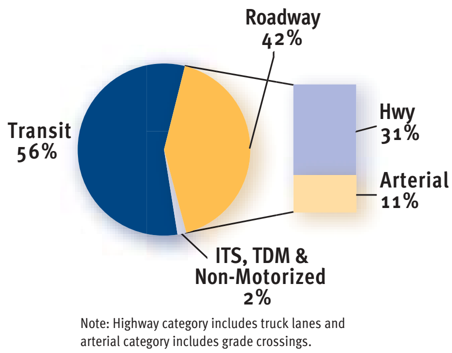
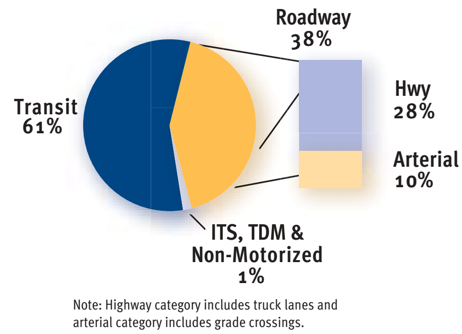


Figure 6.5

Mode Split of Total Cost (Public & Private) of Baseline & New RTP Projects ($144 B)



FUNDING SHORTFALL

To further assess the Region's financial outlook, the Baseline revenues were matched against Baseline expenditures in the form of a Regional Checkbook. As the Net Balance column in Table 6.4 illustrates, the Region would have to devise a financial strategy to support the cost of new RTP projects.

New RTP projects are estimated to cost $44 billion. SCAG anticipates the implementation of innovative financing strategies to offset about $20 billion of the total cost. The remaining $24 billion would require identifying additional public revenues.

Table 6.4

2001 RTP REGIONAL CHECKBOOK BY COUNTY

County	Baseline Revenues	Baseline Costs	Net Balance	Public Cost of New RTP Projects	Funding Shortfall	Public Funding Strategy
Imperial	$0.78	**$0.64**	$0.14	**$0.38**	$(0.24)	**$0.24**
Los Angeles	$65.27	**$66.37**	$(1.09)	**$9.46**	$(10.55)	**$10.55**
Orange	$17.49	**$17.02**	$0.46	**$3.94**	$(3.47)	**$3.47**
Riverside	$5.91	**$6.10**	$(0.19)	**$4.20**	$(4.39)	**$4.39**
San Bernardino	$8.01	**$7.71**	$0.30	**$5.20**	$(4.90)	**$4.90**
Ventura	$2.49	**$2.30**	$0.19	**$1.15**	$(0.96)	**$0.96**
Total	$99.96	**$100.14**	$(0.18)	**$24.33**	$(24.51)	**$24.51**

Notes:

(1) Numbers may not add correctly due to rounding.

(2) Includes revenues from the Governor's Traffic Congestion Relief Plan. Local gas tax subventions are not included in the revenue forecast, assuming that the subventions are not used for "regionally significant" projects. The EPA's use of the term "regionally significant" is intended to include those transportation projects that would have significant impacts on regional travel, emissions and air quality.

(3) Baseline costs include current TIP (2001-2006) capital projects that are "regionally significant." Traffic Congestion Relief Plan projects are also included. Additionally, committed sales tax revenues and funds from other sources for Measure projects are included. Measure tax project costs are spread between "pay as you go" financing and debt financing. Includes anticipated new debt service issues during the RTP period. Also includes debt bonded against forecasted TCA toll revenues in Orange County. Also included are Operations and Maintenance expenses for both transit and roads, Caltrans 2000 SHOPP and transit capital replacement/rehabilitation. Forecasted transit and roadway O&M and capital replacement are assumed for the existing SCAG regional transportation infrastructure and new capital projects in the 2001/2006 RTIP. See Technical Appendix for further information.

(4) Revenues and costs are in constant 1997 dollars, millions.

(5) The Region's public funding strategy does not assume the extension of Measure M in Orange County nor the imposition of a local transportation sales tax in Ventura County.

GUIDING FRAMEWORK FOR RECOMMENDATIONS TO ADDRESS THE REGION'S FUNDING SHORTFALL

Despite the additional funding provided by recent state initiatives, including the Governor's Traffic Congestion Relief Plan (TCRP), SCAG forecasts funding shortfalls over the 2001 RTP period. As discussed earlier, factors including the expiration of local sales tax measures; declining gas tax revenues due to inflation, fuel efficiency and alternative fuel vehicles; and increasing maintenance/rehabilitation costs, account for the Region's financial predicament.

The SCAG Region would have to develop a financing strategy as a means to move forward with new RTP projects. Given the potential revenue shortfall, the Region would not be able to provide capacity enhancements beyond the short-term commitments.

FEDERAL POLICIES CONCERNING FUNDING STRATEGIES

Federal policies require the use of revenue sources that are "reasonably expected to be available." The regulations further indicate that "proposed new revenues and /or new revenue sources to cover shortfalls shall be identified, including strategies for ensuring their availability for proposed investments."

Federal policies clearly require caution in formulating funding strategies for the RTP, but they do not preclude the introduction of new revenues or new revenue sources. Although SCAG does not identify new revenue "sources" to support the Region's proposed investments, certain assumptions are made to maintain revenue that the Region could potentially lose in the years to come. In devising these assumptions, and, in turn, SCAG's funding strategy, two primary objectives were considered by the Finance Task Force:

1. The strategy should provide sufficient revenue to fund the program of projects in the RTP.
2. The strategy should provide sufficient revenue to fund high priority projects that ensure that the Region will remain in compliance with air quality conformity requirements.

STATE POLICIES CONCERNING FUNDING STRATEGIES

The State of California has established policies governing the preparation of the Regional Transportation Plan as well. These policies were formulated in Senate Bill 45 (Chapter 622, Statutes of 1997) and in guidelines adopted by the California Transportation Commission. In regard to the funding element of the Plan, state policies are similar to federal policy in that the Plan's financial policies must be constrained and represent a "realistic projection of the available revenues." The Plan is permitted by the state to include new funding consistent with its overall policies and program of investments.

Another feature of state policy that influences the Plan's funding strategy is the California Air Resources Board's (CARB) policies encouraging significant market penetration of alternative fuel vehicles and the State Implementation Plan's (SIP) emissions budget for the South Coast Air Basin. This policy is expected to be implemented during the period covered by the Plan. In light of this policy, the Finance Task Force recognized that the funding strategy should include a mechanism to offset the likely decline in gas tax revenues due to the emergence of alternative fuel vehicles.

SCAG'S GUIDING PRINCIPLES FOR DEVELOPMENT OF FUNDING STRATEGIES

To facilitate the development of the Plan's funding strategy, the Finance Task Force and the Transportation and Communications Committee adopted a set of principles. The adopted principles are as follows:

1. Ensure that local/regional control is maintained over the decision-making associated with expending the revenues.
2. Rely on the system's users and other direct beneficiaries, in proportion to their impact, to finance a portion of the cost for the facilities and services they require.
3. Provide for flexibility in how the funds may be used to ensure that the highest performing projects will be constructed.
4. Provide for a series of funding options that, in combination, will promote equity in the distribution of benefits and burdens.
5. Advance project planning, design and construction of those projects which ensure that the SCAG Region remains in compliance with air quality conformity requirements.

RECOMMENDED FUNDING STRATEGIES TO IMPLEMENT SCAG'S REGIONAL TRANSPORTATION PLAN

Within the framework of the aforementioned objectives and guiding principles, the Finance Task Force, along with various other SCAG committees, engaged in extensive debates concerning the adequacy and feasibility of various revenue options available to respond to the Region's funding deficit. Among the options considered were road impact fees and fees based on miles traveled. Although these options would generate varying degrees of revenues for the Region, many of SCAG's policy-makers did not favor their implementation, citing technical and political obstacles. However, two broad categories were selected as the basis of the funding strategy: Innovative Financing and Public Funding.

INNOVATIVE FINANCING

Innovative federal funding programs were reviewed for the Region. The Finance Task Force recognized that these federal programs could potentially accelerate important projects in the SCAG Region, reduce inflationary costs and leverage private capital.[10] From the review, the Task Force concluded that financing mechanisms such as Grant Anticipation Revenue Vehicles (GARVEE bonds) and the Transportation Infrastructure Finance and Innovation Act (TIFIA loans) could be utilized as part of a specific project-financing package as candidate RTP projects are identified and programmed.

Some projects have already been identified as being candidates for innovative financing mechanisms. SCAG's proposed SR-60 truck lane project, for example, assumes the imposition of tolls on trucks that use the facility. To raise construction funds totaling about $4.3 billion (in 2000 $ [$3.9 in 1997 $]), net revenues from the tolls would be leveraged to issue bonds. It is assumed, however, that net toll revenues alone would be insufficient to fund the construction of the truck lanes.[11] In fact, it is estimated that toll revenues would provide roughly 30 percent of the project cost. Local, state and federal grants would cover the resulting funding gap. Additionally, GARVEE bonds would be issued to accelerate project construction.

SCAG also assumes the use of innovative public-private partnership for its high speed Maglev project. While the cost of the system is estimated to be $16 billion (in 1997 $), SCAG anticipates that the majority of funds to offset the expenses would be from private sources. The project would be supported by a combination of revenue-backed bonds and loans—in particular, TIFIA loans. Assuming high ridership levels, the project is expected to generate a positive cash flow to cover any outstanding debt service in addition to operating expenses. SCAG also assumes a one-time federal grant contribution of $950 million.[12]

PUBLIC FUNDING STRATEGY

In addition to identifying projects that may be eligible for innovative federal funding, the Finance Task Force further reviewed current transportation funding sources in the Region. This entailed examining a number of revenue sources at the federal, state and local levels of government.[13] The Task Force identified two major funding sources at the state and local levels, namely the fuel tax and the sales tax that generate sufficient revenues to support a regional funding strategy. In an effort to maintain revenues from these current sources (which are expected to decline and /or expire in the future years), the Finance Task Force developed and adopted the following public funding strategy:

1. Continue using state gasoline sales tax revenues for transportation purposes (extending the TCRP funding program beyond 2006).
2. Continue local sales tax measures for transportation where necessary.
3. Adjust the state motor vehicle fuel excise tax rate and user-fees to maintain historical purchasing power (pursue further study).

Inflation continues to diminish the purchasing power of state motor vehicle fuel excise tax revenues. This last component of the public funding strategy would adjust the tax rate in order to offset this continued erosion. Also, this component would include the option of implementing a revenue raising mechanism on alternative fuel vehicles, as the need arises. Indeed, pursuing such measures requires extensive education and outreach. Accordingly, SCAG recognizes the need for further comprehensive studies.

Continue Using Revenues from the State Sales Tax on Gasoline for Transportation Purposes

In 2000, the Legislature enacted the Traffic Congestion Relief Program (TCRP) under SB 406 (Ortiz), SB 1662 (Burton) and AB 2928 (Torlakson). This program commits approximately $8.2 billion in new transportation funding statewide over six years. Of this total, approximately $5 billion will fund specific TCRP projects. The remaining $3.2 billion is for local streets and roads, public transit and for STIP projects.

During fiscal year 2000-01, the Program appropriates $500 million from state gasoline tax revenues and $1.5 billion from other General Fund revenue sources to transportation. For the five year-period thereafter (annually from 2001-02 through 2005-06), the state portion of gasoline sales tax revenues that were previously deposited into the General Fund will be dedicated to transportation. This amount is estimated to be about $1 billion annually.[14]

SCAG's public funding strategy includes extending this transfer of the state share of gasoline sales tax revenues from the General Fund to transportation. In doing so, the SCAG Region would receive approximately $6 billion in additional revenue through the 2001 RTP period. For the 2001 state legislative session, SCAG has introduced AB 227 (Longville) in order to make permanent the use of the state sales tax revenues from gasoline for transportation investments.

Continue Local Sales Tax Measure for Transportation

Local transportation sales taxes originally imposed by majority vote in four counties—Imperial, Orange, Riverside and San Bernardino—are scheduled to sunset during the next ten years. Currently, Ventura County does not impose a local transportation sales tax and Los Angeles County has two permanent local taxes. The counties are subject to Proposition 218 in accordance with a California Supreme Court decision, which requires a two-thirds voter approval for the imposition, extension or increase of "special" taxes by a local government.

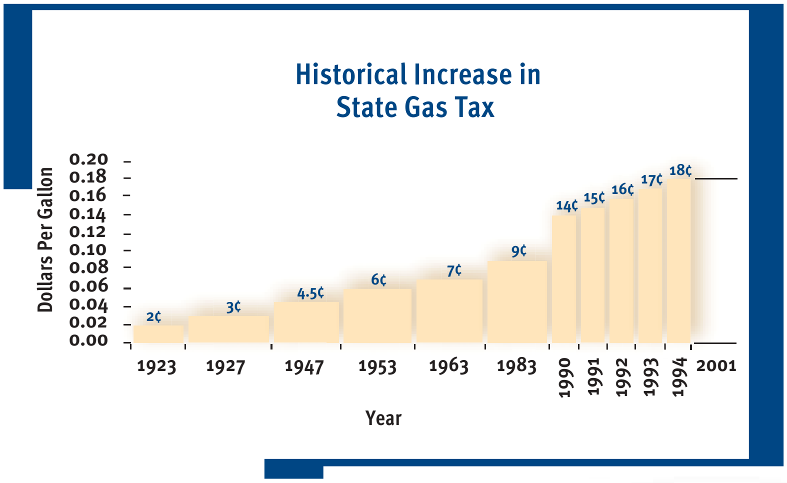
In recognizing the difficulty many of these counties would have in passing local sales tax initiatives due to the two-thirds voter approval requirement, the Baseline revenue forecast initially included the assumption that these local (½ percent) sales taxes would expire. In addition, it was assumed that Ventura County would not impose such a sales tax.

Consequently, some of SCAG's legislative efforts focused on supporting initiatives to establish a less than two-thirds vote process for extending and/or imposing local sales taxes. Although recent legislation to authorize or extend the local sales tax with a less than two-thirds voter approval was not enacted, SCAG's various task forces, including the Finance Task Force, believe that removing this constraint during the period covered by the 2001 RTP is not unreasonable.

Of the four counties with existing transportation sales taxes, three—Imperial, Riverside and San Bernardino—are assumed to continue the existing taxes. Currently, Orange County anticipates the construction of proposed RTP projects without extending Measure M. Additionally, Ventura County does not have any immediate plans to pursue a local transportation sales tax. The Region would recognize about $3 billion (1997 $) in additional revenues from the extension of the local sales taxes in the three counties where they are expected to continue. SCAG continues to work with local and county transportation planning agencies to pursue extensions of local sales tax measures. In light of recent passage of ½ percent sales taxes by more than two-thirds vote in both Santa Clara and Alameda counties (in Northern California), SCAG maintains that assumptions about extensions are reasonable. This is especially true of Riverside County, where Measure A passed by 78.9 percent voter approval in 1988. SCAG recognizes the need to further educate the general public about the importance of these local sales tax measures for transportation. A coordinated education and public outreach program throughout the Region is critical to extending these local measures.

Adjust the State Motor Vehicle Fuel Excise Tax Rate and User-Fees to Maintain Historical Purchasing Power

Figure 6.6



State transportation revenues are collected primarily from the state motor vehicle fuel excise tax. The current state fuel excise tax was last increased between 1990 and 1994 when it was doubled from 9 cents to 18 cents per gallon. If an assumption were made that the legislature would provide for a similar increase sixteen years later in 2010, the revenue stream for the RTP would be enhanced. As a matter of historical reference, the gas tax was first imposed at 2 cents per gallon in 1923. Subsequently, the tax rate increased as shown in Figure 6.6. In light of past legislative actions to adjust the tax rate, it is reasonable to assume further rate adjustments during the 2001 RTP time horizon.

With the re-authorization of the federal transportation legislation scheduled for 2004 and the implementation of Governor Davis' Traffic Congestion Relief Program, a fuel tax adjustment is reasonable to assume. The Finance Task Force, in coordination with other SCAG committees, approved moving forward with efforts to increase the 18-cent per gallon state fuel tax by five cents in 2010, and by one cent annually from 2011 to 2015. This adjustment amounts to a total of 10 cents. SCAG anticipates that the fuel tax adjustment would generate about $15 billion through 2025 (in 1997 $).

An alternative to a statewide increase in the fuel tax would be to secure authorization for a regional fuel tax, similar to the authorization obtained by the San Francisco region. A regional fuel tax, under current constitutional provisions, would require a two-thirds vote of the regional electorate to be implemented. If the levy were characterized as a user fee, however, the Region might be able to bypass the two-thirds vote requirement.

This fuel component of SCAG's public funding strategy would seek to offset the decline in gasoline tax revenues from inflation, fuel efficiency and alternative fuels. It would include the option to further study the implementation of a revenue raising mechanism on alternative fuel vehicles should the market penetration rate of such vehicles be substantial.

It is clearly important to understand that the Region's transportation revenue estimates are affected by the actual market penetration rate of alternative fuel and fuel efficient vehicles over the Plan period. If the penetration rate remains very low, the gasoline tax revenue loss would be minimal, consistent with the 2 to 5 percent currently projected by the California Air Resources Board.

Although there is no consensus on how such a revenue-collection mechanism on alternative fuels would be implemented, SCAG estimated the additional revenues that could be raised from an alternative fuels tax that would be equivalent to the existing state excise gas tax of 18 cents per gallon beginning in 2010. Given this assumption, the SCAG Region would recognize an additional $8 billion in transportation revenues. Although SCAG assumed a gasoline tax equivalent rate for alternative fuels in assessing generated revenues, the rate could be lower—perhaps just enough to offset roadway damage proportional to use.

FUNDING COMPONENTS

Table 6.5 itemizes the funds generated from each component. The components, taken together, make up the Region's public funding strategy in developing a financially feasible and comprehensive 2001 RTP.

Table 6.5

2001 RTP PUBLIC FUNDING STRATEGY
(CONSTANT 1997 $ IN BILLIONS)

Funding Component	$
Continue Using Revenues from the State Sales Tax on Gasoline	6
Continue Local Transportation Sales Taxes Where Necessary	3
Adjust State Motor Vehicle Fuel Excise Tax and User-Fees to Maintain Historical Purchasing Power	15
Total	**24**

SCAG'S REGIONAL CHECKBOOK

The comparison of the checkbook scenarios "WITH Public Funding Strategy" and "WITHOUT Public Funding Strategy" depicts the importance of maintaining revenue sources that the Region may lose in the coming years. The SCAG Region's public funding strategy generates an estimated $24 billion throughout the 2001 RTP period. These revenues would be used to offset the public cost of new RTP projects.

Table 6.6

2001 RTP REGIONAL CHECKBOOK
CONSTANT 1997 DOLLARS (IN BILLIONS)

	WITHOUT Public Funding Strategy	WITH Public Funding Strategy
Baseline Revenues (1)	$100	**$100**
Additional Revenues (2)	$0	**$24**
Total Baseline Costs (3)	$100	**$100**
Net Available Revenues for RTP	$0	**$24**

Notes:
(1) Includes traditional revenue sources for transportation such as local, state and federal funds. Innovative funding revenues and private sector contributions are not included.

(2) Includes public funding strategy: assume continuation of local sales tax; assume continuation of general fund appropriations from the state sales tax on gasoline (ext. Governor's transportation funding program beyond 2006); and adjust the state motor vehicle fuel excise tax and user-fees to maintain historical purchasing power.

(3) Includes costs to build short-term committed projects and to operate and maintain the existing transportation system during the RTP period. New RTP capital project costs are not included.

ACTION PLAN FOR IMPLEMENTING FUNDING STRATEGY

To realize this program of funding, several activities must be undertaken, some almost immediately. The following provides a list of some actions to be taken:

Milestone	Action	Years
1.	Create a committee of Regional Council members to provide leadership and direction, on a continuing basis, for the overall implementation of the funding program.	2001-2002
2.	Undertake a Region-wide, multiyear public awareness program to familiarize decision makers with the issues being addressed in the RTP and the importance of the funding strategies to regional mobility, economic well-being and the quality of life.	Ongoing
3.	Initiate one-on-one communications with state legislators representing the Region, to explain the long-term transportation requirements of the Region and the funding options needed to address these requirements.	Ongoing
4.	Create a regional partnership involving SCAG, the County Transportation Commissions, the subregions and private interests to advocate the implementation of the funding strategies.	2001-2002

SCAG believes that these four elements provide the framework for a multiyear implementation program. The funding components of the program would likely be implemented over the next five to ten years and would require the formation of coalitions both within the Southern California Region and throughout the state. Each funding proposal has its own set of conditions that will influence implementation. Recognizing this, SCAG proposes the following action:

1. **Join with the "self-help" counties and other groups to obtain authorization for a less than two-thirds vote requirement to continue the local transportation sales tax programs.** Local sales taxes have become a central feature of transportation funding over the last two decades in the SCAG Region and elsewhere in California. Since the mid-eighties, $5.5 billion has been raised for transportation projects and services in the four counties in the Region that have sales taxes scheduled to expire in the next ten years. Other counties in California are encountering similar deadlines, making this a statewide issue. It should be noted that despite the existing two-thirds vote requirement, some counties in the SCAG Region are planning to pursue reauthorization of their respective sales taxes. Pursuing reauthorization would entail a series of important actions including:

Milestone	Action(s)
1.	Establish Measure Renewal Committee
2.	Campaign Finance
3.	Marketing/Public Awareness
4.	Surveys
5.	Expenditure Plan
6.	Local Consensus
7.	Ballot Measure by County CTC/Extension of Local Sales Tax

2. Continue using revenues from the state sales tax on gasoline for transportation purposes.

The Transportation Congestion Relief Program (TCRP) enacted by the Legislature sets aside the revenues received from gasoline sales for annual appropriation to a program of transportation projects, including transit operations, that comprise the TCRP. This is currently scheduled to continue until 2006. Prior to 2006, SCAG should begin informing the public and legislators of the value added to the regional transportation system from the additional revenues provided through the TCRP funding program. In addition, SCAG should jointly form coalitions with interests from throughout California to ensure the continuation of this new funding program. To this end, SCAG has introduced Assembly Bill 227 (Longville), which indefinitely extends the dedication of the sales tax on motor vehicle fuel for transportation purposes. Recently, the Assembly Transportation Committee overwhelmingly approved (vote 17-0) AB 227. A number of organizations, including the League of California Cities, California State Association of Counties and all of the transportation commissions in the SCAG Region, testified in favor of the bill.

Milestone	Action(s)	Year(s)
1.	Develop state/regional consensus	**2001-2006**
2.	Public education/outreach	**2001-2006**
3.	AB227 (Longville)	**2001-2002**
4.	Extension of sate sales tax on gasoline	**2007**

3. Adjust the fuel excise tax rate to maintain historical purchasing power. To ensure adequate revenues for the RTP, SCAG proposes a five-cent gas tax increase in 2010 with an additional penny per year until 2015. By the year 2010, it also will have been about 16 years since the motor vehicle fuel tax was last increased in California. Clearly, there will be a statewide interest in increasing fuel tax revenues to offset the continuing decline in the revenue's purchasing power. An alternative would be to secure authorization for a regional fuel tax, similar to the authorization obtained by the San Francisco region. A regional fuel tax, under current constitutional provisions, would require a two-thirds vote of the regional electorate to be implemented. However, by characterizing the charge as a user fee, the Region may be able to bypass the two-thirds requirement. SCAG is currently pursuing efforts to further study potential decreases in transportation revenues. Assembly Concurrent Resolution 32 (Dutra) requests that the California Transportation Commission (CTC), in consultation with the California Department of Transportation (Caltrans) and regional planning agencies, prepare a study focusing on declining transportation revenues and remedies to address potential funding shortfalls.

Milestone	Action(s)	Year(s)
1.	Introduce ACR 32 (Dutra)	**2001**
2.	Study of transportation funding	**2002-2003**
3.	Subsequent revision of the Regional Transportation Plan to develop blue-print program of expenditures	**2002-2009**
4.	Develop state/regional consensus	**2002-2009**
5.	Evaluate whether to pursue state or regional fuel tax initiative	**2005**
6.	Public education/outreach	**2002-2009**
7.	Introduce legislation	**2007-2009**
8.	Adjust the state motor vehicle fuel excise tax user-fees (or regional fuel tax alternative)	**2010-2015**

These milestones need to be pursued aggressively. The adoption of the Plan established the Regional Council's commitment to do so. Monitoring the progression of these actions is also an important part of this Plan to ensure that SCAG can consider creative action as necessary through the course of Plan updating.

AVIATION AND MARITIME FUNDING

There is a significant amount of money funding transportation investments for freight movement that are not traditionally captured in the Regional Checkbook and the RTP. These monies can be both public and private expenditures for port, airport, rail and trucking operations. Projects include capital improvements, minor mitigation of traffic-flow impairments and capital maintenance. The dollars do not flow through the State Transportation Improvement Program

Table 6.7

REGIONAL PORTION OF INTERNATIONAL TRADE
LOS ANGELES CUSTOM DISTRICT
IN MILLIONS

	Total Exports thru Region	Regional Exports	Percent Regional Exports	Total Imports thru Region	Regional Imports	Percent of Regional Imports
Airports	30,513	**19,072**	63%	**27,658**	17,286	**62%**
Seaports	34,036	**15,928**	47%	**112,201**	46,293	**41%**
Regional Total	64,549	**35,000**	54%	**139,859**	63,579	**45%**

Source: Bureau of the Census, International Trade Administration, 1995

(STIP) but instead result from user/access fees, grant funding, bonding on future revenues and private sources. The ports and airports, supported by rail and trucking, are an engine of growth to the regional economy and result in substantial benefits to the nation.

International trade flowing through regional ports and airports is vital to the local and national economies. As agateway to the Pacific Rim, the SCAG Region is a trade center producing and using goods, as well as a transshipment center for goods going to and coming from other areas of the country. Of merchandise exports, it is estimated that 54 percent are regionally produced and 45 percent are transshipped, as shown in Table 6.7. Regionally produced goods account for approximately 6 percent of the nation's exports. The volume of international trade is expected to double within the next 25 years as trade borders continue to open and global markets expand.

Major airports in the SCAG Region derive operating revenues from landing fees, leasing space and facilities, terminal rentals, interest and passenger facility charges. Federal Aviation Administration capital grants and bonding on the revenue stream provide additional monies. These funds pay for airport improvements (e.g., maintaining and repairing runways, taxiways, hangars), plants and equipment, operations (providing security and administration) and on-site circulation and parking, but only limited ground access improvements.

Revenue for projects at the three principal seaports is obtained by bonding against shipping container fees, lease fees and other revenues paid by tenants and other customers. Similar to the airports, seaports fund all on-site improvements. However, the ability of airports and seaports to pay for off-site access improvements is limited by law and by available funds. For example, the current Port of Long Beach debt from transportation infrastructure results in payments for debt service that equal 34 percent of port revenues. The level of debt in ten years will be $2.5 billion, after constructing proposed terminal and rail projects, requiring 60 percent of port revenues for debt service.

Ground access improvements will be critical for the flow of goods to and from airports and seaports. The magnitude of these needs clearly surpasses the ability of the Region to pay for them. A revenue strategy must be identified to fund ground access improvements to ensure that the barriers to and the impacts of Goods Movement (e.g., noise, congestion, safety) are reduced.

CONCLUSION

Clearly, SCAG's Region-wide forecast of revenues and costs reflects the need to develop a funding strategy as a means to maintain and expand the existing transportation system. It is evident that without developing new mechanisms for generating additional revenue, the Region would not be able to accommodate population growth and the subsequent increase in travel demand.

In response to such a need, the SCAG Region's funding strategy provides sufficient revenues to support the mobility improvements recommended in the RTP and ensure conformity. Additionally, the inclusion of a sequence of actions provides a defensible strategy for realizing the revenue sources.